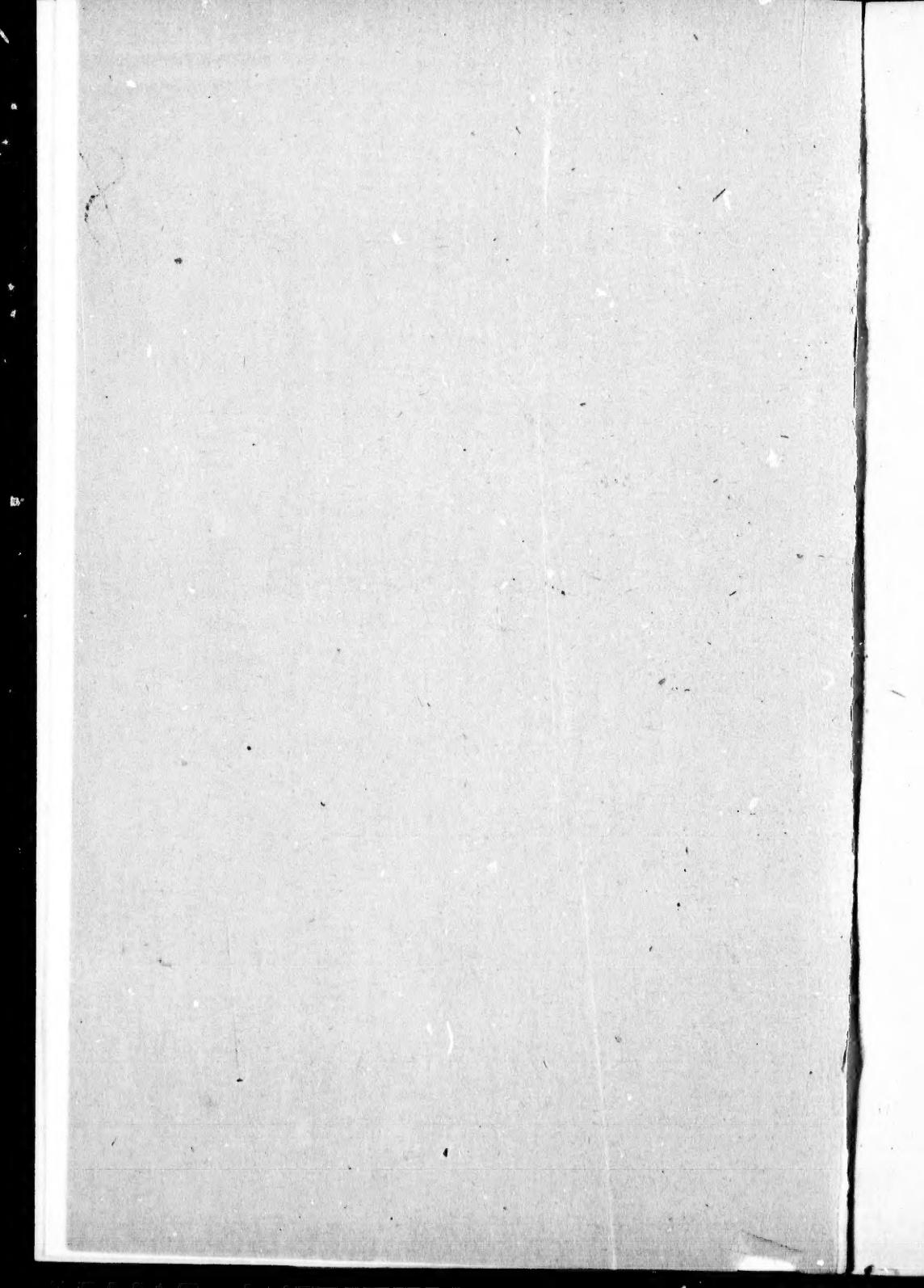


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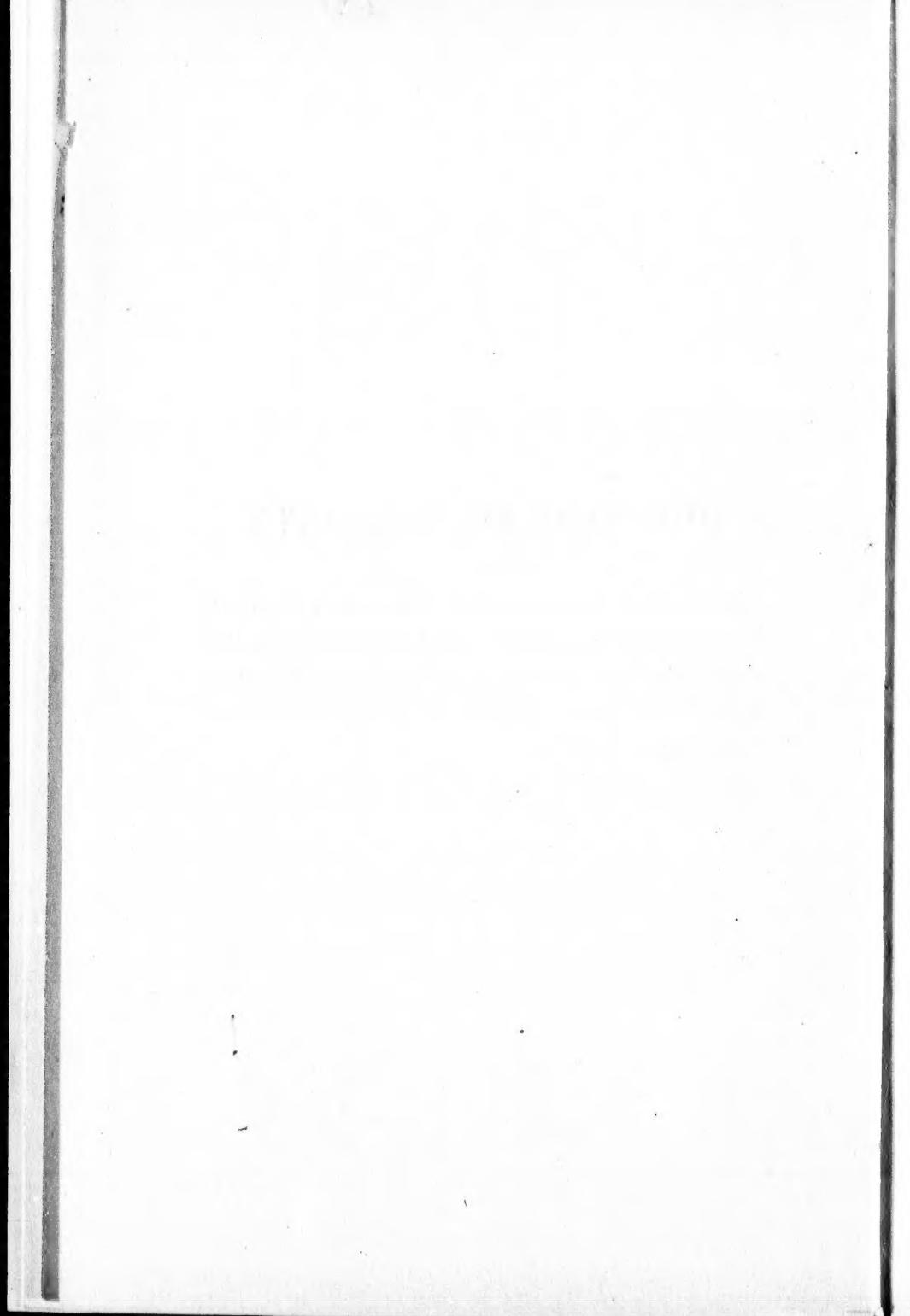
QUESTION OF VERACITY

Correspondence between SIR HECTOR LANGEVIN, Mr. GEORGE STEPHEN, President of the Canadian Pacific Railway and Mr. L. A. SENECAL, President of the North Shore Railway, on the purchase of the North Shore Railway.



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Pacific Railway and Mr. L. A. SENECAL, President
of the North Shore Railway, on the purchase
of the North Shore Railway.

Montreal, 22 January 1884.

SIR HECTOR L. LANGEVIN,

Ottawa,

Sir,

On arriving at Ottawa, Tuesday evening, the 19th instant, I learned that in a caucus of the conservative members of the Province of Quebec, held on the same evening, you had announced that the Canadian Pacific Company or Mr. Stephen would purchase the bonds of the North Shore Railway. A few minutes afterwards, this information was confirmed by yourself, when you called me in the Library of Parliament to tell me that Mr. Stephen was ready to purchase my bonds. If you remember that certain newspapers had said that all the noise made in the press and even among the members of Parliament on the Pacific question, was owing to the displeasure I felt at the refusal of the Pacific Company to purchase my bonds, you shall admit that the result of that information could be but the instantaneous explosion which it caused among the representatives, and which, for a moment, discouraged the most hearty. By a singular coincidence I had, on leaving Montreal, expressed

to several friends, among others to M. A. B. Chaffee, one of the friends of the Pacific, my intention of going to Ottawa with the object of adding my weak individual efforts to those which were made in order to calm down public feeling, and I had already began to act in that sense. The only conclusion to be taken from the information given by yourself, set in opposition to my representations for moderation, was that I had been bought in order to have peace and that the members and the newspapers had really been only my instruments, which was however quite opposite to the truth. That is what I represented to you on that evening and therefore I answered you that my bonds were not for sale in those circumstances; and that nothing could be done without an understanding with the Grand Trunk, adding that it would be in the interest of all, because that understanding would increase the value of the Pacific shares and would protect the government against all necessity of giving them further aid. But to afford you the occasion of proving your good faith, I accepted your offer of meeting Mr. Stephen the following day, happy if I could have found in that interview any chance whatever of deciding the Pacific to go to Quebec. This happened four days ago, the feeling in Ottawa has cooled down, but I do not yet feel myself protected against the undeserved and gratuitous imputation which your declaration has caused. I do not suspect you of trying to harm me intentionally; but the harm is there and you cannot deny me the right of asking you now for what reasons you have been the cause of such an injustice towards me, for you ought to have been aware that Mr. Stephen did not wish to meet me, that he had had no interview with me and that what you announced in the caucus about the North Shore Railway and what I was compelled to deny on the same evening, had not been corroborated by the facts of the case.

I have the honor to be,

Sir Hector,

Your very humble servant,

L. A. SENECA.

Ottawa, 28 February 1884.

SIR,

As I have informed you in my note of the 26th in answer to your letter of the 22nd, received the 23rd, I transcribe here a letter which I received from Mr. George Stephen and which is my answer to your letter of the 22nd.

Here is the letter of Mr. Stephen :

"Ottawa, 23rd Feb. 1884.

" DEAR SIR HECTOR LANGEVIN,

" Referring to our conversation of this morning I desire to repeat what I stated to Mr. Pope on Tuesday last, as indicating the views of the Canadian Pacific Railway Co., on the question of making use of Quebec as its summer port of terminus.

" The Company have always sought to reach Quebec, in which you have always concurred and coo perated with them ; and, as you are aware, they offered to purchase the entire line of the Quebec, Montreal, Ottawa and Occidental Railway, upon terms which, on the whole, have been more advantageous to the province than those which were accepted. When we purchased the western section of that Railway, we did not loose sight of the advantage of having a summer outlet for our traffic at Quebec ; and in the agreement for that purchase we made elaborate stipulations for securing the carriage of the through traffic of the Pacific Company to the port of Quebec. In this object we have been defeated by the transfer of the Eastern section to the Grand Trunk Railway Co. which practically renders our arrangement unavailing.

" The Company however still entertains the same desire to reach Quebec ; and I informed Mr. Pope on tuesday, that the statement of Mr. Van Horne that we are willing to acquire the North Shore Railway is perfectly correct. And that, if in order to do so, it should be expedient to buy that Company's bonds, this Company is prepared to acquire them, as a part of the transaction ; and having learned through you on Friday that Mr. Senécal was in town, and desired to see me on the sujet, I should have made a similar statement to him, if I had met him at the Russell House, where we were both staying.

" I have the honor to be,

" Dear Sir Hector Langevin,

" Very sincerely yours,

" GEORGE STEPHEN."

Your humble servant,

(Signed,) SIR HECTOR L. LANGEVIN.

L. A. SENECAL, Montreal,

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Montreal, 6 March, 1884.

SIR HECTOR L. LANGEVIN,
Minister of Public Works, Ottawa.

Dear Sir,

I thank you extremely for your note of the 28th February, transmitting me a copy of a letter from Mr. Geo. Stephen, on the question of the North Shore Railway. You will pardon me, I hope, for all the trouble I caused you on this subject and which I might still cause you, because certain newspapers which endeavor to be considered as your organs, continue to use your remarks in the caucus to maintain their accusations against me. The rumor published about me was that I intended to compel the Pacific to purchase my bonds. As the information announced by yourselves was precisely that the Pacific had decided to purchase my bonds, the conclusion to which newspapers hostile to my projects arrived at, is evident by itself. If my person only was involved in the case I would not take up your time in useless recriminations, but the attack comes from a party very well organized to batter another important section, the most important one of the conservative party; and, in these circumstances, I believe it my duty to prepare the position which we will be obliged to take sooner or later to prove that we were right.

Mr. Stephen's letter shows to me that you were in good faith; and I hasten to say that my remarks did not apply to you; but as that letter can cover a mere manœuvre, I take the liberty of answering it by the same channel through which it came to me, in order that you may know what stand you shall take on the question and that occasionally you may profit by this information.

It is false that the Pacific Company always intended to reach Quebec. In January and February 1881, the Hon. M. Chapleau offered them the road from Ottawa to Quebec, with all its branches for \$6,500,000. Mr. Abbott answered that the price was not reasonable. In January 1882, Sir John A. MacDonald, at the request of the Quebec Government, urged on the Pacific Company to reconsider the offer of the province of Quebec. The Pacific decided to make the following offer:—

- 1o. \$8,750,000 at 4% payable at the end of 50 years.
- 2o. \$750,000 to be spent immediately by the province in work on the road.

The estimate to be made was plain: as money costs 5% to the province and as it would have derived only 4% from the

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Pacific, it would begin to lose \$7,500 per annum on the exacted disbursements and that during 50 years. The interest of 4 % on \$8,000,000 gave only \$320,000 per annum whilst the interest of 5 % on \$7,600,000 nett price for which the road was sold, gives to-day \$380,000 per annum viz: a difference of \$60,000. You are aware that during 50 years this difference represents an accumulated amount of more than \$12,000,000 Or, if you like to reason in another way, the income of \$320,000 which the Pacific would have had to pay, would have represented at 5 % a capital of \$6,400,000. The Province had not the means to loose that; and I can remark, *en passant*, that the Dominion had not then offered to the Provincial Government to make up the difference, in spite of numerous petitions for aid.

When the Pacific purchased the Ottawa section, they refused a new offer to sell them the Quebec section. They did not even make any offer for that part of the road.

In December 1882, I offered again the North Shore Road to the Pacific Company for \$4,750,000, when I knew that the Grand Trunk were ready to pay a more considerable amount for it. The purchase of important lands and the expenditure of \$260,000 for improvements on the road were more than an equivalent for those \$750,000, the more so that it was fair to obtain a profit of 10 % for the shareholders of the North Shore Railway, who had incurred all the risks and had not yet received a dividend. The Pacific Company refused again and on this refusal, I sold to the Grand Trunk for a higher price. Such is all the desire the Pacific expressed to reach Quebec.

Mr. Stephen is not right neither when he says that the transfer of the North Shore Railway to the Grand Trunk baffled all the precautions he had taken to insure an outlet at Quebec by that road. There has been no change in the management of the North Shore Railway, the Company are still in existence, they never refused the least advantage to the Pacific, and they cannot, neither, escape a proviso of the law which the legal advisers of the Pacific drafted to suit their own taste. But, the Pacific, by closing the Grand Trunk branch line at St. Laurent, has kept Quebec from receiving the traffic of Toronto and of the West: that is all, to my knowledge, that the Pacific has done for Quebec.

Moreover, the Pacific has refused in every manner to have the use of the North Shore Road. The Grand Trunk has offered to change the North Shore Road for a railway in the Province of Ontario, it was refused. The Grand Trunk then offered to change running powers on different lines,

they refused again ; but they continued to say and have people to say "that they are ready to purchase the North Shore Road, when they are well aware that the Grand Trunk, if they consider only the wants of their own position, should not consent to sell this road purely and simply without some stipulations in their favor.

I do not wish to propheticize, but, you shall see that all those refusals, accompanied by a false show of good will, will end simply in the establishment of an outlet for the Pacific on South Shore of the St. Lawrence, through the very roads of the Hon. Mr. Pope, who seems to have given you some advice in the present circumstance.

I come to the third consideration of Mr. Stephen's letter which concerns me personnally. "If, in order to do so, it should be expedient to buy that Company's Bonds, this Company is prepared to acquire them as a part of the transaction." These lines cover a great malignity. Any railroad man knows very well that it is not necessary to purchase bonds to buy a railway. Shares are bought to have the road, the bonds represent the road it-self which has been purchased. These bonds are paid if they want the road to be liberated ; if this is not wanted, the bonds are allowed to stand without mentioning them ; they have only to pay the regular interests. This extraordinary mention of Bonds when it was perfectly useless to speak of them, had in the minds of the Pacific people an evident object : to say to the conversative members, who held themselves together to obtain an acknowledgment of the rights of the Province of Quebec : " If it is to obey the command of speculators that you act so, be satisfied : Mr. Senecal will have his money." Several representatives understood it so and papers who defend you, have also published comments on your words in that sense.

Such is the real injustice I had again to suffer. Time only will put me in a position to believe myself quit with the public, and when the share of responsabilities will be made, in a few months or in a few years, I will prefer my own than the responsability of those who thought to avoid a difficulty by false representations. I have no other conclusion to arrive at but that one, because there is no other. My duty is to inform you of the facts, in case you had soine precautions to take against the Pacific Company, and I have fulfilled it. If you wish to be convinced that Mr. Stephen intended to deceive you, I will tell you that on the very day he wrote to you that he was ready to repeat to me the same thing if he met me, he crossed me several times in the hotel without telling me the first word of his projects, which did not seem

to weary him much. At present the Pacific has not made a single attempt to know if they can acquire the North Shore Road and they will not do it. The interest, apparent at least, which I have in the North Shore Railway, hinders me in the expression of my views, but I assure you that public spirit is not so much absent with me as some people seem to say and that, as a French Canadian, I entertain some fears about the position which by the arrangements of the Pacific for a port on the Atlantic will be made for the Province of Quebec. Sooner or later, Quebec and Montreal will be only local stations for the benefit of Portland, St. John and other sea ports, if you do not use your influence with energy to change the fatal direction which is taken by the International. My bonds, on which, nevertheless, I realized all I wanted, are of a small interest compared to this great national interest and I shall not die with the accusation of not doing all I possibly could to baffle the project meditated against the French Province of the confederation.

Once more, I thank you for having given me the explanations I asked.

* I have the honor to be,

Your very humble servant,

(Signed,) L. A. SENÉGAL.

—
(Copy)

Ottawa, March 17th, 1884.

Sir,

I regret that my parliamentary and ministerial duties have kept me from answering sooner to your letter of the 6th March of which I am in receipt.

I have communicated to Mr. George Stephens, the contents of your letter and I enclose a copy of his letter of the 11th which he sent me in answer.

As the greater part of your letter was evidently destined to Mr. Stephens alone, I would be satisfied to transmit you his answer, if I did not believe that some parts of your letter exacted a few remarks on my part.

I am glad to see that you acknowledge my good faith in endeavoring to bring you and Mr. Stephen together, although there was no doubt about the matter.

Allow me to tell you that I do not share your fears of seeing the summer traffic by the Pacific Railway reach St. John, New Brunswick or some other Atlantic Port.

The point on which trade is directed is not a subject of fancy ; trade is directed by laws which will ultimately prevail. It is also the interest of those who are charged with its transport to obey these laws unhesitatingly. Quebec is probably the most beautiful port there is in the world. Its access is free from violent storms for several hundred miles than any port of the Atlantic ; and it must necessarily share with Montreal all the summer oceanic trade of Canada, because it offers the shortest and most economical route. I further say that I attach the more importance to the assurances given in this point by the Pacific Company, that it is their interest to put them into effect. This company will have their summer terminus in the Province of Quebec, because they will expend hundred of thousand dollars less than if they had an Atlantic Port.

I must also tell you that on this point the action of my colleagues and mine must dispel the extreme uneasiness which you express on the subject. Our policy is to have the summer terminus of the Pacific Railway in the Province of Quebec, as I have already stated ; and if the Company cannot reach the port of Quebec by the purchase of the North Shore Railway, the Government will assist them in finding other means of insuring the success of that project.

Now that the object for which this correspondence between you and I, has been attained, and owing to the impossibility in which I am, for lack of time, to continue a correspondence which has no more aim, as far as I am concerned, I beg, if you have to reply to M. Stephen, that you will be kind enough to address your letters directly to him

I remain,

Sir,

Your very humble servant,

(Signed), HECTOR L. LANGEVIN,

L. A. SENÉCAL, ESQ^R.
Montreal.

Montreal, 11 March 1884.

Dear Sir HECTOR LANGEVIN,

I am obliged to you for communication of Mr. Senecal's letter of the 6th instant ; but I really must decline entering upon the very wide field of discussion which it presents. The Railway Company must take leave to know its own disposition as to having an outlet in the province of Quebec ; and I repeat that it has long desired it, and with that view, is now willing to relieve the Grand Trunk Company of the North Shore Railway at a reasonable price. As to the statements respecting the negociations for the purchase of the entire Railway, I must say that I cannot admit their accuracy. No offer was ever made by the Quebec Government to sell the road at any special price. Many conversations took place about it unofficially, at which it appeared to us that the views of the Government continually increased, as the Company shewed a disposition to approach them. But the only actual offer was that of \$8,000,000 nett, made by the Company in 1882 : to which it never received any answer. Under that offer, I am satisfied the Government could have obtained the \$8,000,000 by offering at par the 4% bonds of this Company, secured upon the Railway with the guarantee of the Government ; and if not, that the Dominion could have been induced to endorse them, as an accommodation to the province. In this way, the province would have had \$400,000 more than it actually got for the two sections.

When the Company bought the Eastern section, I was in England ; but I understand that the negociation was opened on behalf of the Government, for the Eastern section only. I cabled my friends that we should endeavor to obtain the whole line ; but was informed that it was politically impracticable to deal with that at all. If the entire railway had then been offered to the Company for \$7,600,000, I have no doubt the offer would have been accepted.

As to afterwards acquiring it, I learn that it has been bonded for \$1,250,000 above the Government price ; and any purchase now would cover the entire bonded debt, unless the surplus over the government mortgage could be got at a reduced rate.

This was, of course, my meaning in speaking of the bonds, as a part of the transaction of purchasing the Railway. And this Company cannot buy the North Shore Railway, while those bonds are held at par, or near it, simply because it would be paying more than the value of the property.

offered to me in exchange for Canadian Pacific Stock, by a written memorandum (of which I enclose you a copy) handed me on the ultimo by one of your colleagues, who informed me that he was requested to do so by Mr. Dansereau on Mr. Senecal's behalf; but I declined the proposal. And as to crossing Mr. Senecal in the Russell House, I can only repeat that I did not meet or see him in the Russell House, after the interview with Mr. Pope mentioned in my letter.

I think I need not refer at any length to the statement that this Company can still send its traffic to Quebec over the North Shore Railway, upon the conditions fixed by its contract with the Government. The present holders of that road are using every effort to force their through traffic to and via Ottawa, over the Canada Atlantic Railway, instead of over the Railway of this Company; and have recently notified us that they have fixed at greatly increased rate upon the through cars, all in direct violation of the contract. And they are now attempting to force a passage over this Company's road for Grand-Trunk locomotives, hauling through trains from and to the Jacques-Cartier Union Railway, to constitute a through line by the Grand-Trunk instead of by this Railway.

In conclusion, I would say that I must decline to enter into any further controversy in this matter; and that I have only trespassed upon your time at such length, that you might not be left in any doubt as to the position and intentions of this Company. If you wish me to make a reply to what seems to be the point of Mr. Senecal's letter, namely, that you should urge upon this Company the purchase of the North Shore Railway, at a price which would include, at par, the bonds outside the Government price, I can only say that this Company cannot consider that proposal, because an equally advantageous route to Quebec can be obtained on much more favorable terms.

I remain,

Dear Sir Hector Langevin

Very truly yours

(Signed,)

GEORGE STEPHEN.

The Honorable

Sir Hector Langevin,

C. B. K. C. M. G., etc., etc.,

Ottawa.

AN OPEN LETTER.

Montreal, 2nd April 1884.

SIR HECTOR L. LANGEVIN,
Ottawa,

Dear Sir,

I have have the honor of receiving your letter of the 17th March.

1o. Transmitting to me a copy of a second letter from M. Stephen.

2o. Exposing to me the views of the Government of which you are a member on your railway policy.

3o. And requesting me finally to communicate with Mr. George Stephen, although this gentleman's letter, transcribed in your own hand writing, says that he "declines to enter into further controversy."

Allow me to disagree with you on your suggestion to address myself to a man who acquaints you with his determination not to listen to what will be told to him and not to answer, and so much so since I have nothing to discuss with Mr. Stephen. My only recourse is to write to you in the newspapers. I do it reluctantly, but it is my duty to do it, because the object of this correspondence, as it is explained in my first letter, is merely to know what reasons you had to use my name in a manner which was particularly prejudicial to me in a meeting of French Canadian Conservatives at Ottawa and why you have asked to have explanations with me on the subject. The reason which you have had the kindness to communicate to me was merely a letter from Mr. Stephen. If I have discussed that letter it was only in your point of view and on your occasion and to prove to you that if you had been in good faith, you had at least been brought into error. Since you tell me that you do not see the necessity of being informed on the correctness of your declarations and that you request me to continue to make that demonstration to your neighbour, we must also suppress the ordinary formula which it pleases one to express and which it pleases more to receive on conscientious intentions and good faith. If it is no more allowed to either of us, to make any mistake in the nature of the incident caused by you and taken up by me, I will be obliged to consider your remarks before our Ottawa friends as an attack against me as you refuse to take from them the fatal significance which has been brought in by your reticence and Mr. Stephen's mental restrictions.

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EPHEN.

I take the position such as it was then with its actual wants. Surely, nobody had asked you to busy yourself with my interests. Now there only remains the presumption that the pressing wants of the moment were to annihilate a lower-canadian move which was patriotic but embarrassing for you. I record, to avail myself of it subsequently, all that is equivocal in that manœuvre. What was your object in sending Mr. McMillan after me at the hotel, where I was far from dreaming of such things? What was your object when you met me, not in your room, but openly in the Library, if it was not to leave every body think that the calm of a certain part of the representatives depended upon the fact that my private interests were satisfied? Since I received the two letters from Mr. Stephen, I understood to what extent you were not authorized to interview me on that subject and I am asking myself how you did not even know what Mr. Stephen wanted. Do not forget that your words at the caucus were the following : "I have the pleasure of informing you that Mr. Stephen, the President of the Canadian Pacific Railway, is in Ottawa and that he will purchase the bonds of the North Shore Railway." Do not forget also that it is evident from Mr. Stephen's letter that it was only Mr. Pope and not you that he saw ; and if you read again Mr. Stephen's letter of the 11th March you will find that the meaning of his letter was that the Pacific was not prepared to purchase my bonds "unless the surplus over the Government mortgage could be got at a reduced rate," that is to say that it did not want to purchase them at all. That letter flatly contradicts your assertion in the caucus, particularly in the following words : "The portion of those bonds in the hands of Mr. Senecal was offered to me in exchange for Canadian Pacific Stock; but I declined the proposal." You, you have said : "Mr. Stephen will purchase" and Mr. Stephen puts down in writing : "I declined..... this Company cannot buy the North Shore Railway until those bonds are held at par or near it, simply because it would be paying more than the value of the property."

Without discussing this offer at present, I am aware that somebody asked for me, at a time when that request was reasonable, \$1,250,000 in shares of the Pacific for \$750,000 being my share of bonds. As the Pacific was then 52 on the exchange, they had then asked \$650,000 for my bonds, viz 86 $\frac{2}{3}$. And I must add that shares have an eventual character which bonds have not. A thousand transactions can reduce a stock to an insignificant value ; obligations bearing a mortgage on immoveable property always remain what they are and in

the present case bear with them moreover the guarantee of a powerful Company. It was then not the par or near it that was asked for my bonds, and whilst the Pacific refused this easy offer you said that they were going to purchase these same bonds, without speaking of any restriction. You will not plead ignorance of the facts, when the agreement, mortgaging the North Shore Railway for an additional debt of \$1,225,000 was brought up last year before the Federal Parliament and forms part of your Statutes. Neither you in the caucus, neither Mr. Stephen in his first letter, anticipated that those bonds, which existed to your knowledge, would be an obstacle to the transaction. You did even insist only on the purchase of the bonds. The sequel will learn you, let this be said *en passant*, that this offer had been made before the proposed loan of \$30,000,000 by the Pacific was announced. As soon as I saw the resolutions mortgaging all the property of the Company and putting it at the disposal of the Government, I considered them as disastrous for the Company's stock and I could not for an instant dream of such a transaction between the Company and myself, specially when I disapproved the arrangement between the Company and Government. But now the only question is the refusal of the Pacific to take these bonds at 86 $\frac{2}{3}$. This refusal proves that I had a reason to doubt if not the sincerity at least the correctness of your affirmation and that you alone are bound to establish this sincerity. I am so much the more authorized to insist on this point that on that day I considered your declaration very serious as I believed you were really authorized to make me that offer and I refused it positively unless there should be a perfect understanding with the Grand Trunk with whom I was bound and who alone could pass the North Shore Railway to the Pacific or put it at their disposal, as they consented subsequently. This refusal, at the very moment I trusted your word, is the answer to the imputations derived from the offer made through Mr. Dansereau, imputations brought forward in Mr. Stephen's letter as a threat against me; for your papers have already repeated that it was only deception that inspired me to act against the Pacific. I enclose Mr. Dansereau's explanations which must forcibly form part of this record when it will be published, since Mr. Stephen brought him in the case; and although I would have ratified any arrangement he would have made for me, I must state that we easily agreed together on the impossibility of carrying into effect an offer made before the resolutions on the loan.

Allow me to thank you for the honor you did me by expo-

sing to me the government's policy on railway questions. I would have never had the presumption of meddling myself with those important questions. I only mentioned by the way a project to turn off the trade of the Pacific from Montreal and Quebec; not because I have advices to tender you, but in order to draw your attention to the fact that it is difficult to understand how Mr. Pope, the southern railroads man, could take the part of the North Shore on this question against his own interest. As to the policy of your government, I never thought of criticising it nor being astonished at the fact that instead of inducing the Pacific to purchase the North Shore Railway you gave \$6,000 or \$12,000 per mile, I do not know how much, to a projected railroad. I would be the last man to rebuke you for that project if I did not find in it an attempt to cover it by an imaginary impossibility which some persons try to attribute to me and turn away public opinion from its real object. I have no reason to become, without any mission, the defender of the interests of Quebec which cannot, however, be jeopardized if the law of trade is such as you represented it and if it is not necessary to make any particular effort in order that Quebec may enjoy all the traffic which its port deserves.

Far from rendering the purchase of the North Shore Railway impossible, I have on the contrary made it the most easy. My dealings with Messrs. Hickson and Wainwright have put me in a position to ascertain their views and their disposition and I have intimated to you and I informed some of your colleagues of the fact that the Grand Trunk, to realize the wishes of the Government and to become agreeable to the Quebec representatives, would be willing to sell the North Shore Railway at cost price. The Grand Trunk has also offered, in case the purchase should not be expedient, to grant as far as Quebec running powers for the locomotives and the trains of the Pacific, and with the use of its terminus at deep water and in order that the Pacific would have the assurance of not being troubled in the enjoyment of the privilege, to refer all disputes to the decision of the Government; so that without being obliged to spend a cent, the Pacific could use the North Shore Railway as if it were their own property.

I will further say, to follow you on the ground covered by your letter, that if it is deemed expedient to drop the prey for the shadow you will not yet find the solution of the problem which Quebec is seeking so long as you will not take the means of controlling the good will of the Pacific, who succeeded in obtaining, under a disguised form, a vote of three millions to go South. I will also remark that if you rely only on the

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fact that Quebec must have the trade of the Pacific because *that port is by several hundred miles nearer the Pacific Ocean than any other port on the Atlantic and because its access is free from violent storms for several hundred miles* I can assure you that Montreal having the same advantage, with hundreds of miles more, never could, in spite of its geographical position, dispute the Western trade to New York. Something more is needed than the efforts of nature to establish trade currents. And, according to your theory, now that Montreal has obtained the deepening of Lake St. Peter, it should have all the summer traffic of the Pacific. I will ask you why, if your theory is complete and if geographical position is the principal element of success, the traffic would make 160 miles more by rail to reach Quebec when all the requisite ships are in Montreal? If you say that the distance of 160 miles is hardly anything, I will answer you that in this case if traffic is allowed to run over 160 miles more to reach Quebec, it can equally go to Portland, for instance, where there are hardly any costs for pilotage. I expose you these things only to demonstrate to you that the great secret of success in a commercial enterprise is the work of man and not the gift of nature. And the day when the Pacific shall have invested five or six millions in their Southern roads, they could very well after being in possession of their winter road, use it for their summer traffic.

I believe that Mr. Stephen has not the intention of constructing a first class road, if he is not disposed to pay \$5,225,000, say \$5,100,000, to go from Montreal to Quebec. The entrance of the North Shore Railway into Quebec costs alone over \$1,000,000. The bridges, comprising 3,500 feet of wood and 4,176 feet of iron, weighing 4,458,198 lbs. have cost over \$1,000,000; We have, according to inventory, paid \$600,000 for the rolling stock which is as in a good state as in the month of July 1882. There remains then, after deducting of those \$2,600,000 which represent an intrinsic value independent of ordinary railroad works, the sum of \$2,500,000 for the construction of 209 miles of railroad which constitute the North Shore road. That gives \$13,000 per mile. If we consider that a road built in the prairies of the North West costs \$20,000 per mile, without bridges or rolling stock, I am asking myself how can a second road be constructed between Montreal and Quebec on better conditions than those.

Mr. Stephen could not know what was going on in 1882, at the time of the sale of the railway, because he was absent from the country; but he is under a false impression when he

says that the Pacific would have purchased the whole road if it had been offered to him for \$7,600,000. That offer was made to the Pacific, at the request of the Hon. Mr. Chapleau, I believe, or rather I know that Sir John A Macdonald intervened to urge on these gentlemen to acquire all the Q. M. O. & O. and I know also that at a recent meeting of the conservatives at Ottawa, the Premier of the Federal Government declared openly "that in refusing these offers, the Pacific had committed an enormous fault." I am, moreover, informed that Mr. Angus and Mr. Stephen admitted to Mr. Chapleau that the Company would have purchased the East Section at the time, but one of their partners was completely opposed to the transaction.

I regret also to be unable to accept Mr. Stephen's affirmation to. That the North Shore Railway had broken the terms of the contract for an exchange of traffic. 2o. That the Grand Trunk tried to pass its engines over at the St. Martin branch. I enclose herewith a memorandum from Mr. A. Davis who disposes of the first accusation. The North Shore Railway will rigorously respect all the obligations of the statute and it is in my capacity of President of the North Shore Railway that I make you that declaration. As to the second point, it is the locomotives of the North Shore Railway that we wish to bring from Saint Martin to the Junction of Saint Laurent, as we are authorized by law. In all that, there never was a question about the engines of the Grand Trunk and I really do not understand how Mr. Stephen can be lead into error to that extent and transmits you that error without any verification.

I suppose that you have remarked like myself, in Mr. Stephen's letter, his want of correctness when he says that the Government could have negotiated at par \$8,000,000 of bonds in the Q. M. O. & O. with the endorsement of the Government. I really believe that the Government could have negotiated the \$8,000,000 even without the concurrence of the Pacific. But it is not the authority of the Pacific Company on the monetary market which would have been of some value for those negotiations, since the shares of that Company, guaranteed by the federal Government, cannot find more than 56. If the Government could only realize by their guarantee, they could equally have taken the offer of Sir Hugh Allan, who offered the same amount, on the same terms, without exacting an additional expenditure of \$750,000. But with that guarantee, the railway would not have been considered as sold and the Province of Quebec, instead of obtaining a discharge from a mortgage of

\$7,600,000, would have increased its liability for an additional amount of \$8,750,000. Then afterwards, where could the Quebec Government place these \$8,000,000 to obtain 5% interest. They had hardly \$2,000,000 to disburse since that time and they would now be vainly seeking an investment at 5% for \$6,000,000.

I naturally protest against the conclusion of the letter of Mr. Stephen who pretends to find in my letters the desire of urging you to have my bonds of the North Shore Railway sold. Since I refused, from the first day, to accept your offer in as much as I was concerned, it was not to harass you in future on the subject. But there was a question of veracity and good faith to settle and I believe it is now settled.

M. Stephen also "declines to enter into any further controversy on this matter" which goes to prove that he has a very great disposition to justify your assertion that the Pacific are willing to purchase the bonds of the North Shore Railway or the North Shore Railway itself. Are you able to tell me on what day the Pacific made an offer to anybody, not for the purchase of my bonds, which are nothing in the question, but for the purchase of the North Shore Railway ? which is a great deal, considering the promises made by M. Van Horne and repeated to you in order to keep the members of Parliament in a false security.

All things considered, Honorable Sir, here is the position :

During a violent discussion in the press, you have lent all the authority of a party chief to the accusation brought against me : that I intended to blackmail the Pacific company in endeavoring to sell them my bonds of the North Shore Railway. As you were not certain of the correctness of what you announced in the caucus, you call me immediately after this caucus, relying on my probable acceptance of your offers, to enable you to say that what you had announced was true.

I peremptorily refused any transaction of the kind. In the same time I suggested you the means of obtaining from the Grand Trunk the possession of the North Shore Railway to make it the terminus of the Pacific.

I asked you afterwards the reasons why you caused a cry of distrust to be uttered against me by my friends at a solemn moment for the Province of Quebec. You have communicated to me as your answer a letter from Mr. Geo. Stephen who informed me that he had not even seen you on the subject, but that he had told another party certain indefinite things, a version of which could be arranged subsequently, things that could be even denied afterwards if it was thought pro-

per. I answered you that the letter did not justify your assertion in the caucus, since it was becoming more and more certain that the Pacific never thought of purchasing the North Shore Railway, in spite of their declarations, as they never made a move in that direction.

You have transmitted to me a second letter from Mr. Stephen showing beyond all doubt that your assertion in the caucus was just as incorrect as I told you. Compare yourself the text of two letters from Mr. Stephen, to see the contradiction they contain, and you own condemnation :

1st letter (February),

I have informed Mr. Pope Tuesday that the declaration of Mr. Van Horne that we wished to purchase the North Shore Railway was correct; and that, if, to attain that object, it is expedient to purchase the bonds of the Company, this company is ready to acquire them as a part of the transaction.

2nd letter (March).

As to purchasing the North Shore Railway, I learn that it is mortgaged for \$1,250,000 over the mortgage already held by the Government. This Company cannot purchase the North Shore Railway, so long as those bonds are at par or near par.

When Mr. Stephen spoke of purchasing *the bonds* of the Company, he then knew, what were their amount was and what was *their price* since he mentions Mr. Dansereau memorandum. The first letter seems to be in conformity with your assertion ; the second contradicts you positively ; for there are no other bonds in existence than those ; and those he refused to purchase at 86 $\frac{1}{2}$.

This second letter, affirming that the Pacific intended in 1882 to purchase the section from Quebec to Montreal puts its author in contradiction with Sir John A. Macdonald, who stated publicly that, in spite of his efforts and the repeated requests of the then Prime Minister of the Province of Quebec, he could not then decide the Pacific to purchase all the Q. M. O. & O. between Ottawa and Quebec.

This is why I now hold you responsible for an assertion without foundation proffered in a caucus of political friends under your word of honor as a chief, and that is why I pretend you still needed these last explanations before having the right of declaring a correspondence closed.

I beg that you will believe that by thus trespassing on your attention I obey an imperious necessity, which I regret very much, but all the members of parliament are witnesses that I did not begin this incident, that there was no necessity of

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bringing me in the case and that I do not deserve the injurious imputation which your words have cast on my character.

I remain,
Honorable Sir,
Your very humble servant,

L. A. SENÉCAL.

N. B.—I understand that you induced some members of parliament to believe that the \$6,000 per mile, taken from the amount which should be paid to the Province of Quebec, are set aside to purchase my bonds. I shall take this occasion to tell you that if there is only that, you can without fear give these \$6,000 per mile to the Province. The Pacific can have the complete use of the Nort Shore Railway, without disbursing a cent, and if there was money to be spent, they would be sure to get the interest, from the receipts of the roads. But I have reason to believe that the \$6,000 will taken away from the provincial treasury for the benefit of some other private individuals.

L. A. S.

Montreal, 2nd April, 1884.

Superintendent's office, North Shore Railway,

Québec, 26 March, 1884.

L. A. SENECAL, Esq.
Place d'Armes,
Montreal,

Dear Sir,

In answer to your communication of the 25th inst, Stating that Mr. Stephen of the C. P. Ry. accuses this road of having increased the rates of their freight between St. Martin Junction and Quebec in order to favor the Canada Atlantic Railway in preference to the C. P. Ry, I beg to say that such is not the case. Rates have been arranged amicably between the C. P. Ry and ourselves at all times when special

rates have been called for, both to points between St. Martin Junction and Ottawa and west of Ottawa and also through to New-York.

I see no reason for any such statement being made,

Yours truly,

(Signed)

A. Davis,
Supt.

MEMORANDUM ON AN OFFER TO CHANGE BONDS.

I have on two different occasions tried to induce the Pacific Company to purchase M. L. A. Senecal's bonds. The Grand Trunk and the Pacific were in a conflict; I was aware that the transaction made by Mr. Senecal with the Grand Trunk made him an ally of the Company, while the Government of which M. Chapleau was a member should unavoidably sustain the Pacific. There might arise from this opposition in feelings, either disagreements between two common friends or perfidious insinuations against one or the other from personal or political adversaries. Such were the fears which I expressed precisely in the same terms to Sir Charles Tupper at London on the 2d and 3rd November 1883. What has happened since proved that disloyal attacks could be expected. I used all my influence with Mr. Senecal to obtain his consent.

The result of those interviews was the adoption of a middle term by which the Grand Trunk and the Pacific would be brought together again, as Mr. Senécal while being willing to sell his bonds to the Pacific even on unfavorable terms, did not think that he could break off with a friend like the Grand Trunk. He started for Canada towards the end of November with the intention of executing this programme, which for a reason or for another was not accepted on this side of the Atlantic. M. Senécal returned to Europe, and was so seriously ill on arriving at London that he had to give up his visit and business in France and return to America with me at the end of January. Five or six days after our arrival, he had a more alarming relapse and his friends deemed it

necessary to keep him off business for some time. It is in these circumstances that I went to Ottawa in the hope of inducing the Pacific to purchase his bonds and to decide him to start again for Europe or for the southern States. I submitted a memorandum to Sir Charles Tupper the 26th or the 27th of January, Sir Charles Tupper kindly consented to transmit it to the Pacific Company and promised me an answer for Monday the 4th of February.

But, the resolutions granting an advance of \$30,000,000 were known in the mean time and I never returned to Sir Charles Tupper's to ask him an answer to an agreement which Mr. Senécal could no more accept: we were all against the project. All that I regret is that in the ignorance of the proposed measure, I uselessly troubled the Minister of railways and made him an offer which a few days afterwards was altogether unacceptable by the person in whose name I was making it.

Montreal 26th March, 1884.

ARTHUR DANSEREAU.